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BOOK DEPARTMENT.

REVIEWS.

La Monnaie, le crédit et le change. Par AUG. ARNAUNÉ, Professeur à l'école des sciences politiques. Price, 7 francs. Pp. 402. Paris : Félix Alcan, 1894.

This book is a valuable compendium of data treating of various monetary systems. It gives a good idea of what money is and a brief historical survey of the money of different nations, but concentrates its efforts on the gold, silver and bank-note question, with a final chapter on checks and clearing-house certificates.

The author says in his preface, that he does not intend to be controversial, but he indicates strongly that he does not believe in the possibility of forcing people to accept the two metals on the same scale at a fixed ratio. He seems to believe, with many of the best economists who are theoretically monometallists, that silver has still its place in the world, and can and must be of use to mankind. But a time will come, says M. Arnauné, when silver will sustain a relation to gold similar to that which copper now bears to silver.

Japan may after the war be more inclined than before to consume gold. Her successful imitation of European civilization in other matters may also lead her to compete for gold. M. Arnauné's theory of the value of the precious metals is the well-known classical one. His tables of the variations of the value of gold and silver in past centuries and in modern times are useful to the student, who will find here an abstract of the statistics of Leech, Soetbeer and other standard authorities.

The author gives us a brief history of the mintage systems of different nations. He reminds us that in early times ideas of weight and value are combined. He discusses the successive disestablishment of various metals, for example copper, and now silver. He discusses the variation in the value of the precious metals, and shows the enormous difficulty in ascertaining it; he gives the systems adopted by Mr. R. H. Inglis Palgrave, M. de Foville, and M. Levasseur. In the middle of this century there was a rise in prices, which was generally considered as an effect of the depreciation of gold, as Stanley Jevons showed in his pamphlet : "A Serious Fall in the Value of Gold Ascertained and its Social Effects Set Forth."

Since 1873 the value of silver has fallen continually till now, when it is worth less than one-half of its former price, thus bringing about a new alteration in the monetary equilibrium of the world. This is the first reason given why gold has again appreciated and prices of the greatest number of goods have fallen. Another reason, upon which M. Arnauné insists strongly, is the development of modern industry, through which many products, like steel, iron, chemicals, are made at a much lessened cost and can be sold much cheaper than formerly.

But there is one feature of the present situation in the economic world which the book does not mention, and which seems to us to be of considerable importance and to overthrow in a certain sense M. Arnauné's whole theory,—at least on its monetary side—so far as he tries to explain the fall in prices. Stocks, bonds and shares are dearer than at any previous period of the century, as are also salaries, wages and rents; for them, gold seems to have lost part of its value, while it has gained value when compared with other materials. What can be the explanation? A decrease in supply is not the answer, because everyone knows the quantity of bonds and shares of every kind, issued by governments or private corporations, has greatly increased in the second half of the present century. Is there a still greater increase in the demand for this kind of investment? That may be; but in all events the question is not settled, and the discrepancy in theories accounting for the general collapse of prices wants accurate study and an explanation which economists have not yet satisfactorily given.

We cannot entirely agree with M. Arnauné when he says that the classical theory explains fully the fluctuations in the precious metals. Admitting that the enormous increase of silver production has lowered the value of silver, the increase of gold production between 1850 and 1860 did not have the same effect on the value of gold when compared with silver at the same time. Again, the inclination of men to accept or refuse gold or silver at certain times, is a very important cause in considering the rise or fall in the value of the metals. The world produced in 1894 one-third more gold than in the past few years; nevertheless prices have fallen during the past year *as they never* did before. During the same time silver has remained steady, almost unchanged. Therefore we only need to compare gold with other commodities (for example wheat and wool). If the question of supply and demand is the only factor how can we explain the fall in price of wheat and wool, of which the supplies have not increased, in view of an increased amount of gold?

In the following chapters M. Arnauné gives us the theory of bills of exchange, checks and bank notes. He says the first idea of an

idealistic representation of values was embodied in the bill of exchange. Perhaps the promissory notes of the Assyrian, which have been recently found, engraved on earth clay cubes, are still more ancient. We think also that a simple receipt of gold or silver, or any other money, which is at the bottom of the idea of bank note, must have been used in very old times; however, history has given us no record of it. The absence of paper, which is such an inherent part of our modern life, prevented formerly a more rapid diffusion of this very elementary kind of credit, the highest incarnation of which is the bond and the share. In this form billions of billions are embodied in a few lines, and everything in the world, even the soil, the houses, not to speak of personal property, are exchangeable at all times between the remotest spots.

Having explained the mediums of circulation, the author analyzes their mechanism. For small payments, money is daily used; but as soon as payments grow larger, and specially for payments between trading people, instruments of credit are required; they are indispensable for payments from one city to another, from one country to a foreign country. Gold and silver quotations in London and Paris are given and explained. Then follows an explanation of the main exchange operations, remittance, drawing, buying of bills, direct and indirect remittances. The theory of foreign exchanges, which Goschen has so ably discussed, is condensed in one chapter: First, treating of countries where money is metallic and where balance of trade (in the most general sense) and rate of discount are the predominant factors and the gold point fixes the limit of rise or fall; secondly, countries where paper money is used and no limit can be previously foreseen for the oscillation of the exchange. We have tried in another place* to indicate scientifically the scale of these latter movements.

The relation between exchange and gold movements, gold price and discount rate having been explained, the author proceeds in the second part of his work to study the different systems of metallic moneys.

The monetary system of France since the adoption of the law of Germinal An XI, this law itself, the mintage rules which fix the seigniorage at 7.44 frs. for one kilogram of gold and 1.50 frs. for one kilogram of silver, are clearly summed up. The author explains very clearly how gold moves and under what circumstances it will be brought to the mint or sold to the bank, or mortgaged for bank notes at a certain rate. Taking into account the mint expenses, the real relation in France between gold and silver is not 15.50, but 15.58; as soon as the relation showed a tendency to differ from this latter figure,

* See essay on Exchanges in "*Mélanges financiers*," by Raphael Georges Lévy. Paris, 1894. Reviewed in *ANNALS* for September, 1894.

metal movements began ; silver, for instance, was exported as soon as the relation was 15.56, long before it fell below 15.50.

The legal tender moneys in France are the gold pieces and the five-franc silver pieces, commonly called *écus*—they are legal tender for any debt; fractional silver and bronze pieces, only to a limited extent. A list is given of the foreign coins which are officially admitted as legal tender by the public treasuries in France: the question of wear and tear of gold is carefully explained. The government since 1889 has been active in refunding the light twenty franc pieces, so that at present the average is heavier than it was a few years ago.

In France the standard is legally silver, practically gold. Since the beginning of the century, remarkable waves have brought in or carried out of the country large supplies of both metals. M. Arnauné reviews the history of the Latin Union,* and discusses the monetary problem in France. M. de Foville thinks that France has four billions of gold, two billions of silver in five-franc pieces, of which 600 millions are Belgian, Italian, Greek and Swiss ; these latter are legal tender in France by virtue of the Latin Union. After a discussion of the recent monetary conferences, the writer says he does not think that the monetary problem can be practically solved. The wisest policy seems to him not to alter a situation which might be better, but which after all is tolerable, and which the slightest imprudence may imperil.

A chapter is devoted to the English monetary system, one chief feature of which is the free coinage of gold without any charge to the depositor, a result of Lord Liverpool's policy. Practically, the Bank of England buys gold at £3.17.9 per ounce ; *i. e.*, only 1½*d.* less than the mint rate, and all charges together are 2½ per mille ; so people go to the bank because the difference is less than the loss of interest through the mintage regulations would be.

One interesting feature of the present state of things in England is the revival, or rather the growth, of an active bimetallic party in which we find men of the highest standing, like Balfour, Barbour, Chaplin, Samuel Montagu, Gibbs, Grenfell, etc. However, the position of England on the question seems always to be the same, *viz.*, to encourage others to do something for silver, but to adhere herself strongly to the gold standard. Even in India she discarded free silver coinage in 1893.

The monetary system of Germany is a gold standard with a few hundred millions of old silver thalers which are still legal tender. In Chapter VI a good account is given of the monetary system of the

* Compare "*Le Metal Argent à la fin du XIXe Siècle. Histoire de l'Union Latine,*" by Ludwig Bamberger, translated by Raphael Georges Lévy.

United States from 1792, when a bill providing for a bimetallic system with a gold and silver dollar in the proportion of one to fifteen was adopted, to the Repeal Act of 1893, when silver purchases were finally stopped.

A very interesting chapter, and one which may be of peculiar interest to American students who are not acquainted with the matter, is the seventh, in which the monetary system of Indo-China is explained. Theoretically, the system is very remarkable. The state does not claim to fix a certain relation between gold and silver, but to give the pieces the names of the weights to which they correspond exactly. Commercially, all the different pieces of metal are nothing but a definite quantity of gold, silver, copper or tin. The system has been quoted by Herbert Spencer as noteworthy; it certainly comes near to theoretical perfection. Mr. Atkinson has in the same way proposed the free issue of silver coins with a mere indication of their weight. The public could then accept or refuse them.

In Indo-China one finds other systems as well; for example, the piastre (dollar) system, which has been introduced since the French conquest, the Mexican old dollar, the Mexican eagle dollar, the American trade dollar, and, finally, the French dollar. The last one is coined in the Paris mint, and has been legal tender since 1885. It contains 24.4935 grains of silver.

Indo-China must be considered as a silver standard country, silver being practically the clearing medium of all the business there. So it is necessary to compute all the expenses and receipts of the French Government in Asia and of the colonies in those silver dollars and not in francs, as it has been formerly the practice. The exchange losses must be born by the budget.

The third part of M. Arnauné's book is devoted to the various systems of fiduciary circulation—bills of exchange, checks and bank notes. Notes have made the movement of metals every day less important, and checks and other clearing mediums now often take the place of notes. M. Arnauné gives a summary notice of the issues of the Bank of France, of England, of the United States, and recalls the most important features of their history, viz., legal tender acts in France in 1848 and 1870, suspensions of the Bank Act in London (1847, 1857 and 1866), greenbacks, national bank notes, treasury certificates, currency, gold and silver certificates, treasury notes in the United States.

Coming to the question of inconvertible paper currency, we look first at the countries where it has been, as it ought always to be, only a temporary phenomenon, as in France twice, at time of the Revolution of 1848 and of the German war (1870), in England from 1797 to

1820. In these two latter cases it simply meant the borrowing of large sums of money from the Bank by the government. The case in the United States was different, as the paper was issued directly by the Treasury (1862 and 1863). Gold premium rose in America to an enormous height, and prices of many goods were doubled or even tripled. The fourth country quoted is Italy, which nominally resumed specie payments in 1881, but is now under a practical paper currency system. Besides the three banks (Bank of Italy, of Naples and of Sicily) which are entitled to issue notes, the government itself is enabled to do so to the extent of 600 millions of francs (120 millions of dollars), and is not required to redeem these notes. The gold premium rose in 1894 to 12 per cent, and is at present about 8 per cent.

This study ought to be extended to another class of countries, where the paper currency does not seem to be a temporary evil, but has taken the shape of a chronic disease; for example, Russia, which in other respects has wonderfully improved her economic situation since the last decade; the South American Republics, Brazil, Argentine and Chile. Some attempt should be made to analyze the paper currency of these countries, and to explain their violent and enormous fluctuations. Austria has also had a very curious and interesting experience, being at present engaged in the hard work of getting rid of her inconvertible paper and introducing specie payments.

In the chapter on checks the peculiar character of banking in England is clearly explained and the growing importance of checks for clearing every kind of debt; for instance, at the Bank of England $87\frac{1}{2}$ per cent are paid in transfers, $12\frac{1}{4}$ per cent in bank notes, and only $\frac{1}{3}$ of 1 per cent in coin. In America the same figures are about 90.43 per cent, 8.10 per cent, and 1.47 per cent.* In the London clearing-house in 1893 the business handled aggregated £6,500,000,000; *i. e.*, over thirty-two billions of dollars. All these balances were cleared, without payment of one penny of coin.

The last chapter is devoted to the securities or basis upon which paper currency is issued. Paper is not only representative of the precious metals in which it is redeemable; it also is often a medium of credit, and here lies its strength and its danger. The management of banks is a most delicate task. They cannot restrain their issues of notes to the sum of coin or bars kept in their vaults. On the other side, they must always be ready to redeem freely all outstanding notes. Practically, all the notes are never brought at once to the offices of the bank in order to be exchanged for gold or silver, but the question of this possibility must always be taken into consideration by

* See Arnauné, pp. 373 and 374.

bank directors. In England the drawback is the small amount of gold in the bank and even perhaps in the country, which in a certain sense is the clearing-house of the world. Attention was called to this lack of gold by Mr. Goschen after the panic of 1890. In France the supply of gold in the vaults of the Bank and also in the hands of the public is considerable. The bank can keep the gold because, practically, gold is always in abundant supply in France, and all exchanges of late have been in favor of that country.

M. Arnauné's book is essentially what the Germans call "*Nachschlagswerk*." All the figures and calculations which it contains are most carefully drawn and the doctrine is sound. It is a valuable contribution as a financial encyclopædia, and will prove useful to all students in economics.

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Proceedings of the National Conference of Charities and Correction at the Twentieth Annual Session held in Chicago, Ill., June 8-11, 1893. By ISABEL C. BARROWS. Pp. xiv, 498. Price, \$1.50. Boston : Geo. H. Ellis, 1893.

This twentieth volume of the National Conference papers marks an epoch in the development of American charities. As the National Conference of 1893 was to meet in connection with the International Congress of Charities, the usual discussions of methods and principles were reserved for the more general assembly, and the program of the National Conference was devoted to the recounting of the actual progress which has been made in the administration of charities and correction in this country since the Conference began its stimulating meeting, twenty years before.

Several of the papers were prepared with great care, and the resulting volume is a most valuable compilation. Some of the papers, in accord with the design, are historical, while others attempt little else than a presentation of the present state of charitable work in some particular location or in some special line of activity. In either case it will largely be to this volume that reference will be made in order to measure the progress of future years.

The presidential address by Hastings H. Hart tells of the many ways in which the National Conferences have contributed to the progress of the past twenty years in the administration of charities and correction. The Conference is characterized under the five headings : its catholicity, its optimism, its practicality, its personnel, and the simplicity of its organization.

The History of State Boards of Charities was written by Oscar Craig, president of the New York Board. Charles D. Kellogg of the Charity